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MAMUSA LOCAL MUNICIPALITY

FINAL MTREF BUDGET FOR 2020/2021 – 2022/23 FINANCIAL YEARS VERSION 6.4

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PART 1 – ANNUAL BUDGET

Purpose

The purpose of the item is to present the 2020/21 – 2022/23 MTREF budget to the committee for review before tabling for council approval.

Legislative background

MFMA Section 24 – Approval of the annual budget

- (1) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.
- (2) An annual budget –
 - a. Must be approved before the start of the budget year;
 - b. Is approved by the adoption by the council of a resolution referred to in section 17 (3)(a)(i); and
 - c. Must be approved together with the adoption of resolutions as may be necessary –
 - i. Imposing any municipal tax for the budget year;
 - ii. Setting any municipal tariffs for the budget year;
 - iii. Approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - iv. Approving any changes to the municipality's integrated development plan; and
 - v. Approving any changes to the municipality's budget related policies.
- (3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

MFMA Section 25 – Failure to approve the budget before the start of the budget year.

- (1) If a municipal council fails to approve an annual budget, including revenue raising measures necessary to give effect to the budget, the council must reconsider the budget and again vote on the budget, or on an amended version thereof, within seven days of the council meeting that failed to approve the budget.
- (2) The process provided for in subsection (1) must be repeated until a budget, including revenue raising measures necessary to give effect to the budget, is approved.
- (3) If a municipality has not approved an annual budget, including revenue raising measures necessary to give effect to the budget, by the first day of the budget year, the mayor immediately comply with section 55, which states;

That the mayor must immediately report the matter to the MEC for local government in the province, and, may recommend to the MEC an appropriate provincial intervention in terms of section 139 of the Constitution.

MFMA Section 26 – Consequences of failure to approve the budget before start of the budget year.

- (1) If by the start of the budget year a municipal council has not approved an annual budget or any revenue raising measures necessary to give effect to the budget, the provincial executive of the relevant province must intervene in the municipality in terms of section 139 (4) of the Constitution by taking any appropriate steps to ensure that the budget or those revenue raising measures are approved, including dissolving the council and –
 - a. Appointing an administrator

until a newly elected council has been declared elected; and b. Approving a temporary budget or revenue raising measure to provide for the continued functioning of the municipality.

- (2) Sections 34 (3) and (4) and 35 of the Municipal Structures Act apply where provincial executive dissolves a municipal council.
- (3) When approving a temporary budget for a municipality in terms of subsection (1) (b), the provincial executive is not bound by any provision relating to the budget process applicable to a municipality in terms of this Act or other legislation. Such a budget must, after the intervention has ended, be replaced by a budget approved by a newly elected council, provided that the provisions of this chapter relating to annual budgets are substantially complied with in line with any revised time frames approved by the MEC for finance in the province.
- (4) Until a budget for the municipality is approved in terms of subsection (1) funds for the requirements of the municipality may, with the approval of the MEC for finance in the province, be withdrawn from the municipality's bank accounts in terms of subsection (5)
- (5) Funds withdrawn from a municipality's bank accounts in terms of subsection (4) – a. May be used only to defray current and capital expenditure in connection with votes for which funds were appropriated in the approved budget for the previous financial year; and b. May not – i. During any month, exceed eight percent of the total amount appropriated in that approved budget for the current expenditure, which percentage must be scaled down proportionately if revenue flows are not at least at the same level as the previous financial year; and ii. Exceed the amount actually available.
- (6) The funds provided for in subsection (4) are not additional to funds appropriated for the budget year, and any funds withdrawn in terms of subsection (5) must be regarded as forming part of the funds appropriated in a subsequently approved annual budget for the budget year.

MFMA Section 17

According to section 17 of the Municipal Finance Management Act, (Act 56 of 2003) and Municipal Budget Reporting Regulation (MBRR), the 2020/21 draft annual budget must include the following information:

- Budget related policies that were amended
- Budgeted Financial Performance (revenue and expenditure by standard classification)
- Budgeted Financial Performance (revenue and expenditure by municipal vote) ;
- Budgeted Financial Performance (revenue by source and expenditure by type); and
- Single-year capital appropriations by municipal vote and standard classification and associated funding by source. ▪ Budgeted Financial Position;
- Budgeted Cash Flows;
- Cash backed reserves and accumulated surplus reconciliation;
- Asset management; and
- Basic service delivery measurement.

Recommendation

- Council adopts the 2020/21 – 2022/23 MTREF budget as per legislation.

Mayors report (Not tabled in council)

Council Resolution (Not tabled in council)

Executive summary

The application of sound financial management principles for the compilation of the municipality's budget is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities need to be reviewed as part of this year's planning and budget process. Where appropriate, funds will be transferred from low to high-priority programmes so as to maintain sound financial stewardship and a cost containment approach will be taken as part of the 2020/2021 fiscal year.

The implementation of Section 139 in the 2019/20 financial year brought strategies and best practices that saw the municipality improve from internal processes to improvements in the revenue collection strategies which will be more evident in the beginning of the 2020/2021 financial year. These strategies will drastically decrease the municipality's debtor's book, improve the municipality's cash flow and avail enough funds for the municipality to settle long outstanding debt that has been perpetually increasing due to finance charges and current expenditure being incurred.

National Treasury's MFMA Circulars 98, 99 and the NERSA guideline on Bulk electricity were used to guide the compilation of the 2020/2023 MTREF.

The main challenges experienced during the compilation of the 2019/20 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained municipal infrastructure
- The need to reprioritize projects and expenditure within existing resource envelope given the cash flow realities and growing liabilities of the municipality
- The increase in cost of Bulk electricity (due to large historic debt to ESKOM and tariff increases from NERSA and ESKOM)
- Wage increases for municipal staff that continue to exceed consumer inflation as well as the need to fill critical vacancies; and
- Unavailability of adequate investments to assist the municipality to settle long outstanding debt.

The following budget principles and guidelines directly informed the compilation of the 2020/2021 MTREF:

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI. In addition, tariffs should be cost reflective and should take into account the need to address infrastructure backlogs.
- There will be no budget allocations to national, provincial and district funded projects unless envisaged in the Division of revenue act.
- A limit of R167 916 000 was set for the following items:
 - Employee related cost and councilors remuneration
 - Debt impairment
 - Depreciation and asset impairment
 - Finance charges
 - Bulk purchases
 - Other materials
 - Contracted services

- Transfers and subsidies; and
- Other expenditure

The below is a consolidated overview of the proposed 2020/21 Medium-term Revenue and Expenditure Framework:

Table 1 – Consolidated Overview of the 2020/21 MTREF

	Adjustment budget 2019/20 R'000	Annual Budget 2021 R'000	Annual Budget 2022 R'000	Annual Budget 2023 R'000
Total Operating Revenue	162,925,000.00	163,230,000.00	169,128,000.00	177,884,000.00
Total Operating Expenditure	170,969,000.00	167,916,000.00	175,559,000.00	184,284,000.00
Surplus/ (Deficit)	- 8,044,000.00	- 4,686,000.00	- 6,431,000.00	- 6,400,000.00
Total Capex	23,621,000.00	25,818,000.00	26,614,000.00	24,926,000.00

Total anticipated operating revenue will increase by 0.19% from R162 925 000 in 2019/20 to a projected R163 230 000 in 2020/21. This is based on the projections in the last quarter of the past year (2019/20), given the COVID-19 situation and its impact on economy and the declining collection rate, as consumers of the municipal services are experiencing some hardships in paying for their bills. This trend will spill over in the first semester of the budget year 2020/21. For the two outer years Operational revenue will increase by 3.49% and 4.92% respectively.

Total operating expenditure for the 2020/21 financial year has been appropriated at R167 916 000, this is a decrease of R3 023 000 from the R170 969 000 budget in 2019/20, the decrease in the budget is the municipality's gradual attempt to ensure that the municipality's budget is moved to a more funded position than in previous financial years.

The capital budget is set to increase to R25 818 000 in the 2020/2021 financial year as stated in the Division of revenue act, the R25 818 000 is comprised of the Municipal infrastructure grant and the Integrated National Electrification Programme.

Operating Revenue Framework

For Mamusa local Municipality to continue improving the quality of services provided to its residents, it needs to generate and effectively collect the required revenue. In these tough economic times and financial pressures facing the municipality, strong revenue management is fundamental to the financial sustainability of the municipality. The reality is that the municipality is faced with developmental and service delivery backlogs, poverty and unemployment. The COVID-19 Pandemic situation, which is being experienced globally and within the country, is having a negative impact on the local economy, and also affect the revenue collection initiatives by the municipality, and the anticipated budget targets. The expenditure required to address these challenges will inevitably always exceed available funding, hence difficult choices have to be made in relation to tariff increases and balancing expenditure against realistically anticipated revenues.

The municipality's revenue strategy should be built around the following key components:

- National treasury guidelines and macroeconomic policy;
- Efficient revenue management, which aims to ensure a 90 per cent annual collection rate for property rates and other key service charges.
- Electricity tariff increases as approved by National Electricity Regulator of South Africa.

In line with the formats prescribed by the Municipal Budget and Reporting Regulation, capital transfers and contributions are excluded from the operating statement, as an inclusion of this revenue source would distort the calculation of the operating surplus/ deficit.

Rates and service charges forms a significant percentage of the revenue basket for the municipality. Rates and services comprise of 48% of the total revenue mix, the biggest service charge is Service charges – Electricity with a budget of R27 357 000, this accounts for 17% of total revenue.

The Biggest revenue source for the municipality as it stands and as can be seen above is Transfers and subsidies R65 736 000, this comprises of the Equitable share, Finance Management grant, EPWP and the Library grant.

Table 3 – Operating Transfers and Grants Receipts

NW393 Mamusa - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		–	55,092	54,722	60,289	60,289	60,289	64,423	67,613	71,701
Local Government Equitable Share			51,502	51,209	56,202	56,202	56,202	59,874	64,313	68,201
EPWP Incentive			1,245	1,098	1,207	1,207	1,207	1,249		
Finance Management			2,345	2,415	2,880	2,880	2,880	3,300	3,300	3,500
Municipal Systems Improvement Grant										
Provincial Government:		–	1,929	1,247	2,344	2,344	2,344	1,313	–	–
Sport and Recreation			1,648	1,247	2,344	2,344	2,344	1,313		
Municipal Systems Improvement Grant			281							
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	76	76	76	–	–	–
LG Seta					76	76	76			
Total Operating Transfers and Grants	5	–	57,021	55,969	62,709	62,709	62,709	65,736	67,613	71,701

Tariff setting is a pivotal and strategic part of the compilation of any budget. When rates tariffs and other charges were revised, local economic conditions, input cost and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the CPI. Excessive increases are likely to be counterproductive resulting in higher levels of non-payment.

See attached annexure A on Tariffs

Property rates

Property rates cover the cost of provision of general services. Determining an effective property rate tariff is therefore an integral part of the municipality's budgeting process.

Water sales

South Africa faces similar challenges with regards to water supply as it does with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are structured to protect basic levels of services and ensure the provision of free water to the poorest of the poor (indigents).
- Water tariffs are designed to encourage effective and sustainable consumption.

Improving the collection of revenue on historic debt to invest in infrastructure maintenance and cost reflective tariffs will assist in ensuring that the supply challenges are met in future to ensure sustainability. The proposed tariff increase for the 2020/21 financial year is 4.5% from the current financial year's rates.

Electricity sales

A tariff increase of 6.22% will be applied as advised by NERSA on the guidelines issued on the 14th of May 2020.

Sanitation

A tariff increases in sanitation of 4.5% will be implemented as of 1 July 2020. The increase will be based on the Consumer price index.

Waste removal

A tariff increases of 4.5% will also be implemented on Waste removal as of 1 July 2020 which is linked to the Consumer price index.

Trading licenses

A 4.5% increase in trading license tariffs will be implemented, this is based on the Consumer price index.

Overall impact of tariff increases on households

In all instances the overall impact of the tariff increases on house-holds bills has been kept at 4.5% and electricity kept at 6.22%.

See attached annexure on tariffs

Operating Expenditure Framework

The municipality's expenditure framework for the 2020/21 MTREF budget is informed by the following;

- Balanced budget constrains (Operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash backed reserves to fund any deficit;
- Funding of the budget over the MTREF period as informed by section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding other core services;
- Strict adherence to the principle of no project plan, no budget. If there is no business plan no funding allocation can be made.

Table 4 – Operating expenditure by standard classification

NW393 Mamusa - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Expenditure By Type											
Employee related costs	2	48,187	57,891	65,610	66,752	65,855	73,554	65,854	60,070	63,434	66,987
Remuneration of councillors		4,730	5,140	6,214	5,970	5,970	5,970	5,970	6,684	7,058	7,453
Debt impairment	3	92,897	75,764	128,620	27,482	25,500	27,482	27,482	26,648	27,873	29,155
Depreciation & asset impairment	2	17,273	21,172	22,838	19,569	20,296	20,296	20,296	23,687	24,777	25,917
Finance charges		4,989	4,647	9,216	300	7,500	300	300	8,000	8,368	8,753
Bulk purchases	2	65,835	67,379	71,624	31,800	25,000	48,086	31,000	27,000	28,242	29,541
Other materials	8	2,672	511	2,777	8,188	3,950	4,738	4,738	1,572	1,645	1,720
Contracted services		12,748	12,369	28,288	26,390	9,200	35,157	12,040	8,975	9,387	9,819
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	40,694	45,165	69,371	6,701	7,698	3,141	3,141	5,281	4,774	4,938
Losses		-	11	3,010							
Total Expenditure		290,026	290,049	407,566	193,153	170,969	218,725	170,822	167,916	175,559	184,284

The budgeted allocation for employee related cost for the 2020/21 financial year is R60 070 000, employee related cost is the largest expenditure of the municipality and it accounts for 36% of Operating expenditure. The municipality has put in place strict cost containment measures to ensure that the municipality achieves and maintains a funded budget, to that effect the municipality implemented a budget cut of R5 784 000 on Employee related costs.

The costs associated with the remuneration of councillors is determined by the Minister of Co-operative governance and traditional affairs in accordance with the Remuneration of public office bearers act. The most recent proclamation in this regard has been taken into account in compiling the municipality's budget

The Debt impairment was determined based on the municipality's average collection rate as prescribed by the MFMA and GRAP guidelines, also taking into consideration the consumer price index of 4.5% for the 2020/2021 financial year and 4.6% for the two outer years. Although this may be a non-cash flow item, it informs the total cost associated with the rendering of services of the municipality.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriation in this regard totals R23 687 000.

Finance charges consist primarily of Interest on overdue accounts, due to a low collection rate the municipality has been struggling to settle creditors' accounts within 30 days as prescribed by the MFMA. The R8 000 000 allocated for finance charges was projected from the current year to date trend and , however, the municipality is expecting to see an improvement in the collection rate which will improve the municipality's cash flow and eventually cash will be available to settle long outstanding debts and prevent fruitless and wasteful expenditure.

Bulk purchases are directly informed by the purchase of electricity from Eskom. NERSA has issued guidelines on tariff settings around electricity, the guideline states that a 6.22% increase should be applied for bulk electricity purchases and sales.

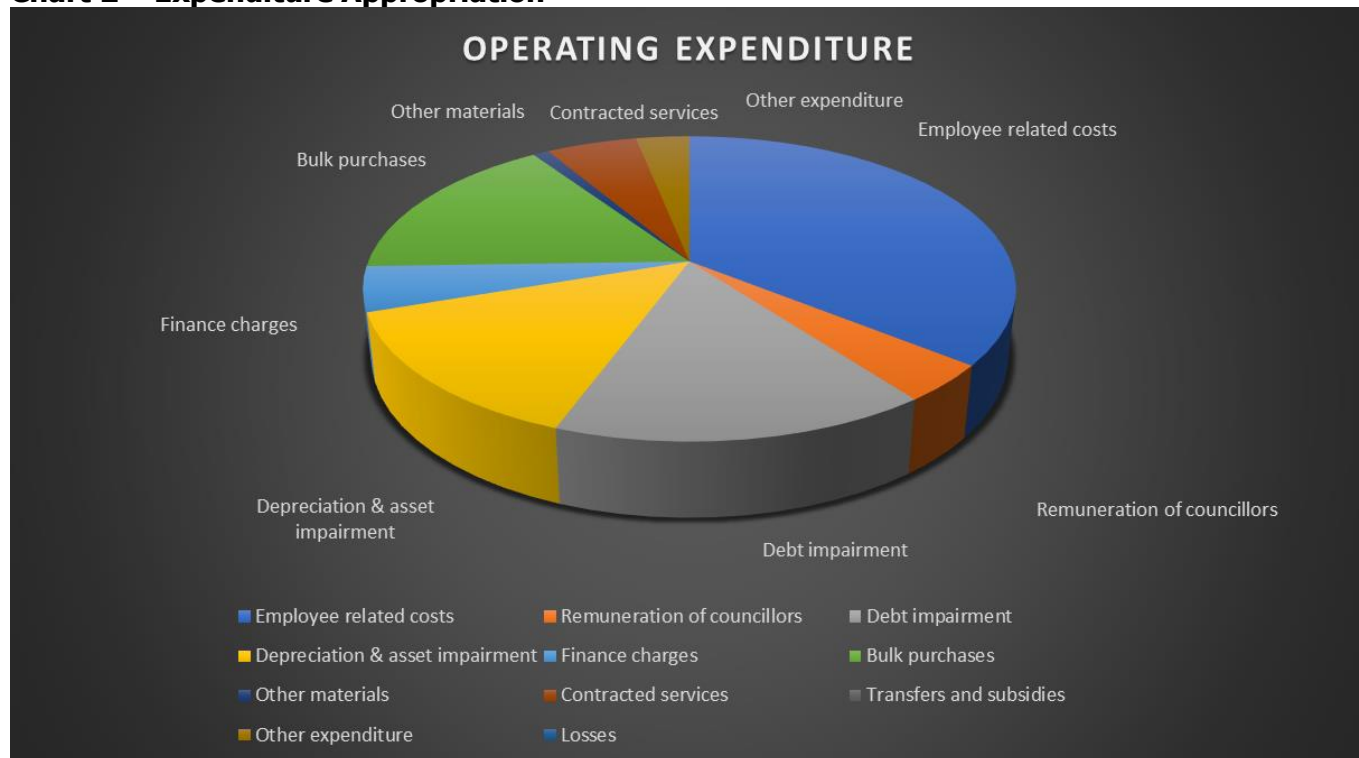
Other materials comprise of inventory that the municipality uses in the day to day rendering of services, this ranges from parts used to repair municipal infrastructure, cleaning material fuel and oil. The municipality allocated R1 572 000 for other materials in the 2020/2021 financial year.

Contracted services for the 2020/2021 financial year amounts to R8 975 000, the municipality took into consideration all active contracts and appropriated for accordingly, however, in attempts to have a funded budget the municipality also implemented a cut of R3 065 000 from the R12 040 000 full year forecast.

Other expenditure consists of various expenditure items relating to the day to day running of the municipality. Other expenditure has decreased from R7 699 000 to R5 281 000 in the 2020/21 financial year. Other expenditure has been extensively cut over the previous financial year in attempts to gradually bring the municipality's budget to a funded position.

The municipality is anticipating to spend R167 916 000 in the 2020/21 financial year, below is a chart showing the how the R167 916 000 expenditure will be split:

Chart 2 – Expenditure Appropriation



The below table shows the capital expenditure by vote:

Table 5 – Capital expenditure by vote

Vote Description R thousand	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital Expenditure - Functional											
<i>Governance and administration</i>		1,070	21,347	3,329	-	-	-	-	-	-	-
Executive and council											
Finance and administration		518	6,448	1,912							
Internal audit		552	14,899	1,417							
<i>Community and public safety</i>		-	-	4,447	-	-	-	-	-	-	-
Community and social services				4,447							
Sport and recreation											
Public safety											
Housing											
Health											
<i>Economic and environmental services</i>		10,823	34,493	21,845	10,682	10,682	10,682	10,682	15,618	16,614	17,342
Planning and development											
Road transport		10,823	34,493	21,845	10,682	10,682	10,682	10,682	15,618	16,614	17,342
Environmental protection											
<i>Trading services</i>		34,248	15,427	10,258	12,939	12,939	12,939	12,939	10,200	10,000	7,584
Energy sources		600	15,427	10,258	12,939	12,939	12,939	12,939	10,200	10,000	7,584
Water management		33,648									
Waste water management											
Waste management											
<i>Other</i>											
Total Capital Expenditure - Functional	3	46,141	71,268	39,878	23,621	23,621	23,621	23,621	25,818	26,614	24,926
Funded by:											
National Government		45,071	56,369	36,646	23,621	23,621	23,621	23,621	25,818	26,614	24,926
Provincial Government											
District Municipality											
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)											
Transfers recognised - capital	4	45,071	56,369	36,646	23,621	23,621	23,621	23,621	25,818	26,614	24,926
Borrowing	6										
Internally generated funds		1,070	14,899	3,232							
Total Capital Funding	7	46,141	71,268	39,878	23,621	23,621	23,621	23,621	25,818	26,614	24,926

As per the DORA the municipality was allocated R25 818 000 by the Municipal Infrastructure Grant and the Intergrated National Electrification Programme.

Annual budget Tables

The below tables are the main budget tables as required by Section 8 of the Municipal Budget and Reporting Regulation. These tables set out the municipality's 2020/21 budget and MTREF as tabled in the municipal council on 29 May 2020.

Table 6 – A1 Budget Summary

NW393 Mamusa - Table A1 Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands										
Financial Performance										
Property rates	15,697	28,602	26,662	18,125	18,125	18,125	18,125	18,941	19,812	20,723
Service charges	152,853	155,288	169,199	60,835	60,835	60,835	60,835	60,065	62,365	65,234
Investment revenue	301	557	41	129	129	28	6	9	9	10
Transfers recognised - operational	42,843	43,380	47,670	62,586	62,709	99,280	40,989	65,736	67,613	71,701
Other own revenue	59,587	61,700	79,549	21,127	21,127	16,170	9,743	18,478	19,328	20,217
Total Revenue (excluding capital transfers and contributions)	271,281	289,527	323,121	162,802	162,925	194,438	129,698	163,230	169,128	177,884
Employee costs	48,187	57,891	65,610	66,752	65,855	73,554	65,854	60,070	63,434	66,987
Remuneration of councillors	4,730	5,140	6,214	5,970	5,970	5,970	5,970	6,684	7,058	7,453
Depreciation & asset impairment	17,273	21,172	22,838	19,569	20,296	20,296	20,296	23,687	24,777	25,917
Finance charges	4,989	4,647	9,216	300	7,500	300	300	8,000	8,368	8,753
Materials and bulk purchases	68,507	67,890	74,401	39,988	28,950	52,824	35,738	28,572	29,887	31,261
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	146,340	133,308	229,288	60,574	42,398	65,780	42,663	40,903	42,035	43,913
Total Expenditure	290,026	290,049	407,566	193,153	170,969	218,725	170,822	167,916	175,559	184,284
Surplus/(Deficit)	(18,745)	(522)	(84,445)	(30,350)	(8,044)	(24,287)	(41,124)	(4,687)	(6,431)	(6,399)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	38,787	33,540	20,031	28,406	23,621	23,621	23,621	25,818	26,614	24,926
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	20,042	33,018	(64,414)	(1,944)	15,577	(666)	(17,503)	21,131	20,183	18,527
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	20,042	33,018	(64,414)	(1,944)	15,577	(666)	(17,503)	21,131	20,183	18,527
Capital expenditure & funds sources										
Capital expenditure	46,141	71,268	39,878	23,621	23,621	23,621	23,621	25,818	26,614	24,926
Transfers recognised - capital	45,071	56,369	36,646	23,621	23,621	23,621	23,621	25,818	26,614	24,926
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	1,070	14,899	3,232	-	-	-	-	-	-	-
Total sources of capital funds	46,141	71,268	39,878	23,621	23,621	23,621	23,621	25,818	26,614	24,926
Financial position										
Total current assets	35,104	32,710	51,851	161,639	151,681	151,681	151,681	132,754	86,797	88,579
Total non current assets	431,500	422,021	418,780	391,018	414,640	414,640	414,640	473,453	473,452	473,452
Total current liabilities	308,126	349,538	413,842	171,846	167,437	167,437	167,437	201,881	201,881	201,881
Total non current liabilities	30,849	35,325	41,904	-	-	-	-	33,034	33,034	33,034
Community wealth/Equity	127,628	69,869	14,884	5,365	366,312	366,312	366,312	371,292	371,292	371,292
Cash flows										
Net cash from (used) operating	61,590	52,065	18,366	12,709	23,621	23,621	23,621	25,914	25,403	23,987
Net cash from (used) investing	(50,822)	(41,011)	(39,259)	(12,710)	(23,621)	(23,621)	(23,621)	(25,818)	(26,614)	(24,926)
Net cash from (used) financing	(7,562)	(2,949)	20,582	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	475	1,708	2,944	8,449	331	331	331	96	(1,114)	(2,053)
Cash backing/surplus reconciliation										
Cash and investments available	-	-	-	10,289	331	331	331	264	(459)	(833)
Application of cash and investments	(23,964)	(26,865)	(34,142)	83,457	95,074	91,883	87,216	133,506	154,676	153,856
Balance - surplus (shortfall)	23,964	26,865	34,142	(73,167)	(94,743)	(91,552)	(86,885)	(133,242)	(155,135)	(154,689)
Asset management										
Asset register summary (WDV)	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Renewal and Upgrading of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	2,543	2,660	2,782
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	2,612	8,452	8,452	8,744	9,146
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	1	1	16	16	16	-	16	16	16	16
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	2	2	2	2	2	-	2	2	2	2

Table A1 is a budget summary and provides a concise overview of the municipality's budget, from all of the major financial perspectives (Operational expenditure, capital expenditure, financial position, cash flow and the MFMA funding compliance).

Financial management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the financial performance, Financial Position and Cash flow Budget, along with the Capital Budget.

Table 7 – A2 Budgeted financial performance (Revenue and expenditure by standard classification)

NW393 Mamusa - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		116,972	115,589	150,960	116,507	116,507	116,507	124,639	129,395	132,940
Executive and council		56,417	33,540		-	-	-	-	-	-
Finance and administration		59,774	81,554	150,960	116,507	116,507	116,507	124,639	129,395	132,940
Internal audit		781	494		-	-	-	-	-	-
<i>Community and public safety</i>		17,817	2,882	2,962	7,545	7,545	7,545	4,321	3,053	3,193
Community and social services		752	209		7,545	7,545	7,545	4,321	3,053	3,193
Sport and recreation		10			-	-	-	-	-	-
Public safety		16,437	2,673	2,962	-	-	-	-	-	-
Housing		618			-	-	-	-	-	-
Health					-	-	-	-	-	-
<i>Economic and environmental services</i>		10	14	14,579	-	-	-	-	-	-
Planning and development					-	-	-	-	-	-
Road transport		10	14	14,579	-	-	-	-	-	-
Environmental protection					-	-	-	-	-	-
<i>Trading services</i>		175,269	204,582	174,651	62,494	62,494	62,494	60,087	63,294	66,677
Energy sources		81,715	94,678	85,218	30,532	30,532	30,532	27,379	29,081	30,890
Water management		57,507	41,640	46,120	9,926	9,926	9,926	11,647	12,183	12,743
Waste water management		21,871	28,468	23,928	13,438	13,438	13,438	12,847	13,438	14,057
Waste management		14,176	39,796	19,385	8,598	8,598	8,598	8,214	8,592	8,987
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	310,067	323,067	343,152	186,546	186,546	186,546	189,048	195,742	202,810
Expenditure - Functional										
<i>Governance and administration</i>		152,251	89,551	270,510	-	106,190	106,190	107,531	112,823	118,337
Executive and council		17,904	22,052	28,457	-	10,960	10,960	14,321	15,121	15,966
Finance and administration		114,941	52,063	222,082	-	95,230	95,230	93,210	97,701	102,371
Internal audit		19,406	15,436	19,971	-	-	-	-	-	-
<i>Community and public safety</i>		8,082	6,979	7,085	-	16,497	16,497	7,766	7,460	7,876
Community and social services		867	693	1,115	-	16,497	16,497	7,766	7,460	7,876
Sport and recreation		139			-	-	-	-	-	-
Public safety		7,063	6,286	5,970	-	-	-	-	-	-
Housing		(6)			-	-	-	-	-	-
Health		19			-	-	-	-	-	-
<i>Economic and environmental services</i>		8,452	19,101	14,956	-	230	230	906	956	1,009
Planning and development			2,305	2,305	-	-	-	-	-	-
Road transport		8,452	16,796	12,651	-	230	230	906	956	1,009
Environmental protection					-	-	-	-	-	-
<i>Trading services</i>		121,241	174,417	115,015	-	45,993	45,993	51,712	54,321	57,061
Energy sources		50,651	131,000	58,304	-	44,618	44,618	29,766	31,157	32,614
Water management		43,186	27,057	33,025	-	300	300	7,721	8,149	8,601
Waste water management		602	5,046	9,974	-	1,075	1,075	6,449	6,803	7,175
Waste management		26,802	11,315	13,713	-	-	-	7,777	8,212	8,671
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	290,026	290,049	407,566	-	168,910	168,910	167,916	175,559	184,284
Surplus/(Deficit) for the year		20,042	33,018	(64,414)	186,546	17,636	17,636	21,132	20,183	18,526

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure by functional classification. The modified GFS standard classification divides the municipal services into 15 functional areas. The Municipal revenue, operating expenditure and capital expenditure are then classified

in terms of each of these functional areas which enable treasury to compile "Whole of government" reports.

Note the total revenue in this table includes capital revenue (transfers recognised - capital) and so does not equal to the operating revenue shown on Table A4.

Table 9 – A4 Budgeted Financial Performance (revenue and expenditure)

NW393 Mamusa - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1										
Revenue By Source											
Property rates	2	15,697	28,602	26,662	18,125	18,125	18,125	18,125	18,941	19,812	20,723
Service charges - electricity revenue	2	68,988	77,487	79,766	28,888	28,888	28,888	28,888	27,357	28,152	29,447
Service charges - water revenue	2	49,598	33,921	46,120	9,911	9,911	9,911	9,911	11,647	12,183	12,743
Service charges - sanitation revenue	2	20,282	24,359	23,928	13,438	13,438	13,438	13,438	12,847	13,438	14,057
Service charges - refuse revenue	2	13,985	19,522	19,385	8,598	8,598	8,598	8,598	8,214	8,592	8,987
Rental of facilities and equipment		786	509	41	542	542	1,452	438	619	647	677
Interest earned - external investments		301	557	41	129	129	28	6	9	9	10
Interest earned - outstanding debtors		30,032	35,373	70,006	12,745	12,745	5,909	4,937	13,319	13,931	14,572
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		14,528	573	656	612	612	43	36	50	53	55
Licences and permits		1,909	2,100	-	4,595	4,595	6,133	1,700	2,197	2,298	2,404
Agency services		-	-	2,306	-	-	-	-	-	-	-
Transfers and subsidies		42,843	43,380	47,670	62,586	62,709	99,280	40,989	65,736	67,613	71,701
Other revenue	2	12,331	23,145	6,540	2,632	2,632	2,632	2,632	2,293	2,399	2,509
Gains		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		271,281	289,527	323,121	162,802	162,925	194,438	129,698	163,230	169,128	177,884
Expenditure By Type											
Employee related costs	2	48,187	57,891	65,610	66,752	65,855	73,554	65,854	60,070	63,434	66,987
Remuneration of councillors		4,730	5,140	6,214	5,970	5,970	5,970	5,970	6,684	7,058	7,453
Debt impairment	3	92,897	75,764	128,620	27,482	25,500	27,482	27,482	26,648	27,873	29,155
Depreciation & asset impairment	2	17,273	21,172	22,838	19,569	20,296	20,296	20,296	23,687	24,777	25,917
Finance charges		4,989	4,647	9,216	300	7,500	300	300	8,000	8,368	8,753
Bulk purchases	2	65,835	67,379	71,624	31,800	25,000	48,086	31,000	27,000	28,242	29,541
Other materials	8	2,672	511	2,777	8,188	3,950	4,738	4,738	1,572	1,645	1,720
Contracted services		12,748	12,369	28,288	26,390	9,200	35,157	12,040	8,975	9,387	9,819
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	40,694	45,165	69,371	6,701	7,698	3,141	3,141	5,281	4,774	4,938
Losses		-	11	3,010	-	-	-	-	-	-	-
Total Expenditure		290,026	290,049	407,566	193,153	170,969	218,725	170,822	167,916	175,559	184,284
Surplus/(Deficit)		(18,745)	(522)	(84,445)	(30,350)	(8,044)	(24,287)	(41,124)	(4,687)	(6,431)	(6,399)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		38,787	33,540	20,031	28,406	23,621	23,621	23,621	25,818	26,614	24,926
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		20,042	33,018	(64,414)	(1,944)	15,577	(666)	(17,503)	21,131	20,183	18,527
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		20,042	33,018	(64,414)	(1,944)	15,577	(666)	(17,503)	21,131	20,183	18,527
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		20,042	33,018	(64,414)	(1,944)	15,577	(666)	(17,503)	21,131	20,183	18,527
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		20,042	33,018	(64,414)	(1,944)	15,577	(666)	(17,503)	21,131	20,183	18,527

Total operating revenue is R163 230 000 in 2020/21, a CPI of 4.6% has been applied in the two outer years respectively, except for transfers and grants as they are informed by the Division of revenue bill. The largest source of revenue for the municipality is transfers and grants, standing at R65 736 000, followed by service charges at R60 065 000. The municipality may be billing R60 065 000, however, what the municipality is actually collecting is significantly less as the municipality has a collection rate of 53%.

Total operating expenditure is R167 916 000 with the biggest cost driver being employee related cost standing at an amount of R60 070 000, followed by Bulk purchases and Contracted services respectively.

Table 10 – A5 Budgeted Capital Expenditure (Capex)

Vote Description R thousand	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital Expenditure - Functional											
Governance and administration		1,070	21,347	3,329	-	-	-	-	-	-	-
Executive and council											
Finance and administration		518	6,448	1,912							
Internal audit		552	14,899	1,417							
Community and public safety		-	-	4,447	-	-	-	-	-	-	-
Community and social services				4,447							
Sport and recreation											
Public safety											
Housing											
Health											
Economic and environmental services		10,823	34,493	21,845	10,682	10,682	10,682	10,682	15,618	16,614	17,342
Planning and development											
Road transport		10,823	34,493	21,845	10,682	10,682	10,682	10,682	15,618	16,614	17,342
Environmental protection											
Trading services		34,248	15,427	10,258	12,939	12,939	12,939	12,939	10,200	10,000	7,584
Energy sources		600	15,427	10,258	12,939	12,939	12,939	12,939	10,200	10,000	7,584
Water management		33,648									
Waste water management											
Waste management											
Other											
Total Capital Expenditure - Functional	3	46,141	71,268	39,878	23,621	23,621	23,621	23,621	25,818	26,614	24,926
Funded by:											
National Government		45,071	56,369	36,646	23,621	23,621	23,621	23,621	25,818	26,614	24,926
Provincial Government											
District Municipality											
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)											
Transfers recognised - capital	4	45,071	56,369	36,646	23,621	23,621	23,621	23,621	25,818	26,614	24,926
Borrowing	6										
Internally generated funds		1,070	14,899	3,232							
Total Capital Funding	7	46,141	71,268	39,878	23,621	23,621	23,621	23,621	25,818	26,614	24,926

The Mamusa Local Municipality has been allocated, as per the DoRA, a Capital allocation to fund municipal infrastructure developments. The DoRA states that the Municipality has been allocated R15 613 000 from the Municipal Infrastructure Grant and R10 200 000 from the Integrated National Electrification Program.

Table 11– A6 Budgeted Financial Position

Table A6 is consistent with the international standards of good financial management principles, and improves understandability for councillors and management of the impact of the budget on the statement of financial position. This format of presenting the statement of financial position is aligned to GRAP 1.

See attached Schedule A for table A6

Table 12– A7 Budgeted Cash Flow Statement

NW393 Mamusa - Table A7 Budgeted Cash Flows

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates					12,688	11,963	11,963	11,963	10,039	10,500	10,983
Service charges		126,316	177,667	167,676	55,255	40,151	40,151	40,151	31,968	33,193	34,720
Other revenue		22,458		2,347	8,365	8,365	8,365	8,365	2,866	2,998	3,136
Transfers and Subsidies - Operational	1	36,681	43,905	47,654	66,254	62,336	62,336	62,336	65,736	67,613	71,701
Transfers and Subsidies - Capital	1	38,787	34,745	23,579	12,710	23,621	23,621	23,621	25,818	26,614	24,926
Interest		14	35,930	41	12,874	229	229	229	7,068	7,393	7,733
Dividends									-	-	-
Payments											
Suppliers and employees		(157,677)	(235,535)	(213,715)	(154,736)	(122,744)	(122,744)	(122,744)	(109,581)	(114,540)	(120,459)
Finance charges		(4,989)	(4,647)	(9,216)	(700)	(300)	(300)	(300)	(8,000)	(8,368)	(8,753)
Transfers and Grants	1								-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		61,590	52,065	18,366	12,709	23,621	23,621	23,621	25,914	25,403	23,987
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		26	11						-	-	-
Decrease (increase) in non-current receivables									-	-	-
Decrease (increase) in non-current investments		(4,707)	(921)	619					-	-	-
Payments											
Capital assets		(46,141)	(40,100)	(39,878)	(12,710)	(23,621)	(23,621)	(23,621)	(25,818)	(26,614)	(24,926)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(50,822)	(41,011)	(39,259)	(12,710)	(23,621)	(23,621)	(23,621)	(25,818)	(26,614)	(24,926)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		(1,354)							-	-	-
Borrowing long term/refinancing				22,000					-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing		(6,208)	(2,949)	(1,418)					-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(7,562)	(2,949)	20,582	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		753	1,233	1,237	(1)	0	0	0	96	(1,211)	(939)
Cash/cash equivalents at the year begin:	2	(278)	475	1,708	8,450	331	331	331	-	96	(1,114)
Cash/cash equivalents at the year end:	2	475	1,708	2,944	8,449	331	331	331	96	(1,114)	(2,053)

The Cash flow statement of the municipality states the actual cash that the municipality is intending to receive and spend in the 2020/21 financial year, these projections are based on the previous collection rate trend and the municipality's historical payment trends.

The Municipality is expected to have a positive cash flow or at least break even in order to ensure that the budget is funded, Provincial Treasury is required to perform a funding assessment on the municipality's budget and provide inputs before the budget is tabled or approved.

The municipality is expected to receive actual cash to the value of R143 495 000 and is expecting to spend a total of R117 581 000.

Table 13– A8 Cash Backed Reserves/ Accumulated Surplus Reconciliation.

The Cash backed reserves/ accumulated surplus recon is aligned to the requirements of MFMA Circular 42 – Funding of municipal budget, in essence the table evaluates the funding levels of the budget by first forecasting the cash and investments at year end and secondly reconciling the available funding to liabilities that exist.

See attached Schedule A for table A8

Table 13– A9 Assets Management

Table A9 provides an overview of the municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class. National treasury has recommended that municipalities should allocate at least 40% of their capital budget to the renewal of existing assets and allocation to repairs and maintenance should be at least 8% of PPE.

See attached Schedule A for table A9

Table 14– A10 Basic service delivery measurement

Table A10 provides an overview of service delivery levels.

NW393 Mamusa - Table A10 Basic service delivery measurement

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Household service targets	1									
Water:										
Piped water inside dwelling		4,683	4,360	5,600	5,600	5,600	–	5,600	5,600	5,600
Piped water inside yard (but not in dwelling)		5,245	9,965	10,300	10,300	10,300	–	10,300	10,300	10,300
Using public tap (at least min.service level)	2	1,721	231	1,800	1,800	1,800	–	1,800	1,800	1,800
Other water supply (at least min.service level)	4	718	70	100	100	100	–	100	100	100
<i>Minimum Service Level and Above sub-total</i>		12,367	14,626	17,800	17,800	17,800	–	17,800	17,800	17,800
Using public tap (< min.service level)	3	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	4	–	–	–	–	–	–	–	–	–
No water supply		–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>		–	–	–	–	–	–	–	–	–
Total number of households	5	12,367	14,626	17,800	17,800	17,800	–	17,800	17,800	17,800
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		10,443	12,872	14,992	14,992	14,992	–	14,992	14,992	14,992
Flush toilet (with septic tank)		–	575	738	738	738	–	738	738	738
Chemical toilet		–	–	–	–	–	–	–	–	–
Pit toilet (ventilated)		739	152	850	850	850	–	850	850	850
Other toilet provisions (> min.service level)		–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>		11,182	13,599	16,580	16,580	16,580	–	16,580	16,580	16,580
Bucket toilet		738	738	14,992	14,992	14,992	–	14,992	14,992	14,992
Other toilet provisions (< min.service level)		–	–	738	738	738	–	738	738	738
No toilet provisions		448	448	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>		1,186	1,186	15,730	15,730	15,730	–	15,730	15,730	15,730
Total number of households	5	12,368	14,785	32,310	32,310	32,310	–	32,310	32,310	32,310
Energy:										
Electricity (at least min.service level)		10,140	10,140	10,140	10,140	10,140	–	10,140	10,140	10,140
Electricity - prepaid (min.service level)		–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>		10,140	10,140	10,140	10,140	10,140	–	10,140	10,140	10,140
Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
Other energy sources		–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>		–	–	–	–	–	–	–	–	–
Total number of households	5	10,140	10,140	10,140	10,140	10,140	–	10,140	10,140	10,140
Refuse:										
Removed at least once a week		10,683	10,683	18,990	18,990	18,990	–	18,990	18,990	18,990
<i>Minimum Service Level and Above sub-total</i>		10,683	10,683	18,990	18,990	18,990	–	18,990	18,990	18,990
Removed less frequently than once a week		75	75	10	10	10	–	10	10	10
Using communal refuse dump		–	–	–	–	–	–	–	–	–
Using own refuse dump		1,582	1,582	1,582	1,582	1,582	–	1,582	1,582	1,582
Other rubbish disposal		–	–	760	760	760	–	760	760	760
No rubbish disposal		29	29	29	29	29	–	29	29	29
<i>Below Minimum Service Level sub-total</i>		1,686	1,686	2,381	2,381	2,381	–	2,381	2,381	2,381
Total number of households	5	12,369	12,369	21,371	21,371	21,371	–	21,371	21,371	21,371
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		–	7,092	–	7,475	7,475	–	–	–	–
Sanitation (free minimum level service)		–	7,092	–	7,475	7,475	–	–	–	–
Electricity/other energy (50kwh per household per month)		–	7,092	–	7,475	7,475	–	–	–	–
Refuse (removed at least once a week)		–	7,092	–	7,475	7,475	–	–	–	–
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		–	–	–	–	–	723	755	790	826
Sanitation (free sanitation service to indigent households)		–	–	–	–	–	1,167	1,219	1,275	1,334
Electricity/other energy (50kwh per indigent household per month)		–	–	–	–	–	–	5,723	5,889	6,160
Refuse (removed once a week for indigent households)		–	–	–	–	–	723	755	790	826
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		–	–	–	–	–	–	–	–	–
Total cost of FBS provided		–	–	–	–	–	2,612	8,452	8,744	9,146
Highest level of free service provided per household										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)										
Water (in excess of 6 kilolitres per indigent household per month)		–	–	–	–	–	–	–	–	–
Sanitation (in excess of free sanitation service to indigent households)		–	–	–	–	–	–	–	–	–
Electricity/other energy (in excess of 50 kwh per indigent household per month)		–	–	–	–	–	–	–	–	–
Refuse (in excess of one removal a week for indigent households)		–	–	–	–	–	–	–	–	–
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of subsidised services provided	6	–	–	–	–	–	–	–	–	–

PART 2 – SUPPORTING DOCUMENTATION

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting regulation states that the Mayor of the municipality must establish a budget steering committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the act.

The budget steering committee must consist of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for finance.

The primary aim of the Budget steering committee is to ensure:

- That the process followed to compile the budget complies with legislation and good budget practices;
- That there is proper alignment between the policy and service delivery priorities set out in the IDP and budget
- That the municipality's revenue and tariff setting strategies ensure that the cash resource needed to deliver services are available
- That various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

In terms of section 21 of the MFMA the Mayor is required to table in council ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and budget.

The Mayor tabled in council the required IDP and budget time schedule on 30 August 2019, however, due to unrests and the transitions through Section 139 (a) – (c) most of the dates on the timeline were not adhered to not forgetting the interruption Covid-19 had on daily operations of the municipality.

Budget process overview

The Mayor tabled in council the required IDP and Budget time schedule on the 31 of August 2019. The key dates applicable to the process were:

- 31 August 2019 – Council approved the schedule setting out key deadlines for the 2019/20 MTREF IDP and Budget process plan.
- 30 January 2020 – MTERF Adjustment budget
- 31 March 2020 – Draft IDP and Budget tabled in council.
- 31 March final approval of IDP and Budget by council

2.2 Overview of alignment of annual budget to IDP and SDBIP

Refer to table SA4, SA5 and SA6 on the A Schedule for IDP strategic objectives

The municipality's IDP is its principle strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out in objectives, key performance indicators and targets for implementation which directly inform the Service Delivery Budget and Implementation Plan. The process plan applicable needs to include the following key IDP processes and deliverables:

- Registration of community needs
- Compilation of departmental business plans including key performance indicators and targets
- Financial planning and budgeting process
- Public participation process
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP needs to be taken into a business and financial planning process leading up to the 2020/21 MTREF, based on the approval of the 2019/20 MTREF. Each department had to review their business planning processes, including setting priorities and targets within the limited resources that the municipality has.

Community consultation

Community consultation will be held under strict Covid-19 regulations through a community meeting with key stakeholders and a Public engagement through the local radio station the local radio station to allow community members an opportunity to participate.

2.3 Measurable performance objectives and indicators

Refer to A Schedule table SA7 for objectives and indicators

2.4 Overview of Budget related policies

The municipality's budget process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The following policies have been attached as annexures to the budget.

- Budget and Virement policy
- Debt-write off policy
- Credit control and Debt Collection policy
- Tariff policy
- Property rates policy
- Supply Chain Management Policy

2.5 Overview of the Budget Assumptions

Owing to the economic slowdown, high unemployment and the effects of Covid-19, the municipality's financial resources have been limited due to low payment levels by consumers. This has resulted in declining cash inflows which has necessitated restrained expenditure to ensure that the cash outflows remain within the affordability parameters of the municipality.

Factors such as municipal cost drivers, increase in prices for bulk purchases on electricity, increase in cost of remuneration of employees will also be taken into consideration.

Collection rate for revenue services

The base assumption is that tariff and rating increases will increase as per CPI over the MTREF period.

The rate of revenue collection is currently expressed as a percentage of 53% of annual billings. Cash flow is assumed to be an average of 53% of billing, and the rest will be used to calculate provision for debt impairment. The performance of arrear collection will however only be considered a source of additional cash in-flow once the performance has been carefully monitored and there is an improvement.

2.6 Overview of Budget funding

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of operational revenue from the provisions of goods and services such as water, electricity, sanitation and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges such as building plan fees, license and permits etc.

The revenue strategy is a function of key components such as:

- Revenue management and enhancement
- Achievement of a 70% annual collection rate for consumer revenue
- National treasury guidelines
- Electricity tariff increases within the National Electricity Regulator of South Africa

- Achievement of full cost recovery of specific user charges
- Determining tariff escalation rate by establishing revenue requirements
- The property rates policy in terms of the Municipal Property rates Act.

The above principles guide the annual increase in the tariffs charged to the consumers and the rate payers align to the economic forecast.

Table 15 – Proposed tariff increases

Proposed tariff increases for the 2020/21 MTREF are as follows:

TARIFF ADJUSTMENTS		2019-20	202,021.00	2021-22	2022-23
That notice been taken of the following average tariff increases					
2.1	Electricity	13.07%	6.22%	6.22%	6.22%
2.2	Water	5.2%	4.5%	4.6%	4.6%
2.3	Sewerage	5.2%	4.5%	4.6%	4.6%
2.4	Refuse	5.2%	4.5%	4.6%	4.6%
2.5	Property Rates	5.2%	4.5%	4.6%	4.6%
2.6	All other tariffs	5.2%	4.5%	4.6%	4.6%

The effects of the tariff increases can be seen on the A4 – Financial performance table.

2.7 Expenditure on allocations and grant programmes

Table 16 – Expenditure on allocations and grant programmes

NW393 Mamusa - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		–	55,092	54,722	60,289	60,289	60,289	64,423	67,613	71,701
Local Government Equitable Share			51502000	51209000	56,202	56,202	56,202	59,874	64,313	68,201
EPWP Incentive			1,245	1,098	1,207	1,207	1,207	1,249		
Finance Management					2,880	2,880	2,880	3,300	3,300	3,500
Finance Management			2,345	2,415						
Municipal Systems Improvement Grant										
Provincial Government:		–	1,929	1,247	2,344	2,344	2,344	1,313	–	–
Sport and Recreation			1,648	1,247	2,344	2,344	2,344	1,313		
			281							
Municipal Systems Improvement Grant										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	76	76	76	–	–	–
LG Seta					76	76	76			
Total operating expenditure of Transfers and Grants		–	57,021	55,969	62,709	62,709	62,709	65,736	67,613	71,701
Capital expenditure of Transfers and Grants										
National Government:		–	15,897	15,462	23,621	23,621	23,621	25,818	26,614	24,930
Municipal Infrastructure Grant (MIG)			15,897	15,462	14,911	14,911	14,911	15,618	16,614	17,346
Energy Efficiency and Demand Management					8,710	8,710	8,710	10,200	10,000	7,584
Provincial Government:		–	–	–	–	–	–	–	–	–
Sport and Recreation										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	4,000	–	–	–	10,200	10,000	7,584
LG Seta										
Integrated National Electrification Program				4,000				10,200	10,000	7,584
Total capital expenditure of Transfers and Grants		–	15,897	19,462	23,621	23,621	23,621	36,018	36,614	32,514
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		–	72,918	75,431	86,330	86,330	86,330	101,754	104,227	104,215

2.8 Allocations made by the municipality

None

2.9 Councillor and employee benefits

Table 17 - Summary of councillor and staff benefits

NW393 Mamusa - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		416	107	4,518	2,882	2,882	2,882	4,985	5,264	5,559
Pension and UIF Contributions		8	6	387	611	611	611	388	409	432
Medical Aid Contributions				100	230	230	230			
Motor Vehicle Allowance		145	24	860	1,408	1,408	1,408	484	511	539
Cellphone Allowance		8	6	557	839	839	839	828	874	923
Housing Allowances		131	87							
Other benefits and allowances			586	49						
Sub Total - Councillors		708	816	6,471	5,970	5,970	5,970	6,684	7,058	7,453
% increase	4		15.3%	693.0%	(7.7%)	0.0%	-	11.9%	5.6%	5.6%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		416	693	3,422	3,306			4,600	4,857	5,129
Pension and UIF Contributions			6	38	38			9	10	10
Medical Aid Contributions										
Overtime										
Performance Bonus			24	671						
Motor Vehicle Allowance	3	145	6	1,198	1,198			152	160	169
Cellphone Allowance	3	87		34	50			47	49	52
Housing Allowances			21		139					
Other benefits and allowances	3			183						
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		648	750	5,546	4,731	-	-	4,808	5,077	5,362
% increase	4		15.7%	639.5%	(14.7%)	(100.0%)	-	-	5.6%	5.6%
Other Municipal Staff										
Basic Salaries and Wages		30,790	30,315	30,568	39,230	46,757	46,757	39,278	41,478	43,801
Pension and UIF Contributions		5,995	10,274	8,622	5,856	5,781	5,781	5,696	6,015	6,352
Medical Aid Contributions		13,175	4,271	11,125	3,650	5,210	5,210	3,200	3,379	3,568
Overtime		2,062	2,999	1,330	3,060	1,256	1,256	2,400	2,534	2,676
Performance Bonus		2,216	2,750		3,200					
Motor Vehicle Allowance	3	3,091	3,139	5,045	2,725	3,141	3,141	1,391	1,147	1,213
Cellphone Allowance	3	175	175	236	131	285	285	169	179	188
Housing Allowances	3	862	674	730	588	596	596	550	580	613
Other benefits and allowances	3	(1,430)	3,229	5,010	2,186	2,993	2,993	2,881	3,043	3,213
Payments in lieu of leave					-					
Long service awards		299			495					
Post-retirement benefit obligations	6									
Sub Total - Other Municipal Staff		57,235	57,826	62,666	61,121	66,018	66,018	55,566	58,356	61,625
% increase	4		1.0%	8.4%	(2.5%)	8.0%	-	(15.8%)	5.0%	5.6%
Total Parent Municipality		58,591	59,392	74,683	71,822	71,989	71,989	67,058	70,492	74,440
			1.4%	25.7%	(3.8%)	0.2%	-	(6.8%)	5.1%	5.6%

2.10 Monthly targets for revenue, expenditure and cash flow

Table 18 – Monthly revenue and expenditure

NW393 Mamusa - Supporting Table SA25 Budgeted monthly revenue and expenditure

Budget Year 2020/21														Medium Term Revenue and Expenditure Framework		
Description	Ref	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue By Source																
Property rates		1,578	1,578	1,578	1,578	1,578	1,578	1,578	1,578	1,578	1,578	1,578	1,578	18,941	19,812	20,723
Service charges - electricity revenue		2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	27,357	28,152	29,447
Service charges - water revenue		971	971	971	971	971	971	971	971	971	971	971	971	11,647	12,183	12,743
Service charges - sanitation revenue		1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	12,847	13,438	14,057
Service charges - refuse revenue		685	685	685	685	685	685	685	685	685	685	685	685	8,214	8,592	8,987
Rental of facilities and equipment		52	52	52	52	52	52	52	52	52	52	52	52	619	647	677
Interest earned - external investments		1	1	1	1	1	1	1	1	1	1	1	1	9	9	10
Interest earned - outstanding debtors		1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	13,319	13,931	14,572
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		4	4	4	4	4	4	4	4	4	4	4	4	50	53	55
Licences and permits		183	183	183	183	183	183	183	183	183	183	183	183	2,197	2,298	2,404
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		21,912	-	-	-	-	21,912	-	-	21,912	-	-	-	65,736	67,613	71,701
Other revenue		191	191	191	191	191	191	191	191	191	191	191	191	2,293	2,399	2,509
Gains		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		30,036	8,124	8,124	8,124	8,124	30,036	8,124	8,124	30,036	8,124	8,124	8,124	163,230	169,128	177,884
Expenditure By Type																
Employee related costs		5,006	5,006	5,006	5,006	5,006	5,006	5,006	5,006	5,006	5,006	5,006	5,006	60,070	63,434	66,987
Remuneration of councillors		557	557	557	557	557	557	557	557	557	557	557	557	6,684	7,058	7,453
Debt impairment		2,221	2,221	2,221	2,221	2,221	2,221	2,221	2,221	2,221	2,221	2,221	2,221	26,648	27,873	29,155
Depreciation & asset impairment		1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	23,687	24,777	25,917
Finance charges		667	667	667	667	667	667	667	667	667	667	667	667	8,000	8,368	8,753
Bulk purchases		2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	27,000	28,242	29,541
Other materials		131	131	131	131	131	131	131	131	131	131	131	131	1,572	1,645	1,720
Contracted services		748	748	748	748	748	748	748	748	748	748	748	748	8,975	9,387	9,819
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure		440	440	440	440	440	440	440	440	440	440	440	440	5,281	4,774	4,938
Losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		13,993	13,993	13,993	13,993	13,993	13,993	13,993	13,993	13,993	13,993	13,993	13,993	167,916	175,559	184,284
Surplus/(Deficit)																
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		16,043	(5,869)	(5,869)	(5,869)	(5,869)	16,043	(5,869)	(5,869)	16,043	(5,869)	(5,869)	(5,869)	(4,687)	(6,431)	(6,399)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		8,606	-	-	-	-	8,606	-	-	8,606	-	-	-	25,818	26,614	24,926
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		24,649	(5,869)	(5,869)	(5,869)	(5,869)	24,649	(5,869)	(5,869)	24,649	(5,869)	(5,869)	(5,869)	21,131	20,183	18,527
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	24,649	(5,869)	(5,869)	(5,869)	(5,869)	24,649	(5,869)	(5,869)	24,649	(5,869)	(5,869)	(5,869)	21,131	20,183	18,527

Table 19 – Monthly Cash flow statement

NW393 Mamusa - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Cash Receipts By Source													1		
Property rates	837	837	837	837	837	837	837	837	837	837	837	837	10,039	10,501	10,983
Service charges - electricity revenue	1,208	1,208	1,208	1,208	1,208	1,208	1,208	1,208	1,208	1,208	1,208	1,208	14,499	14,921	15,607
Service charges - water revenue	514	514	514	514	514	514	514	514	514	514	514	514	6,173	6,457	6,754
Service charges - sanitation revenue	567	567	567	567	567	567	567	567	567	567	567	567	6,809	7,122	7,450
Service charges - refuse revenue	363	363	363	363	363	363	363	363	363	363	363	363	4,354	4,554	4,763
Rental of facilities and equipment	52	52	52	52	52	52	52	52	52	52	52	52	619	647	677
Interest earned - external investments	1	1	1	1	1	1	1	1	1	1	1	1	9	9	10
Interest earned - outstanding debtors	588	588	588	588	588	588	588	588	588	588	588	588	7,059	7,384	7,723
Dividends received													-		
Fines, penalties and forfeits	4	4	4	4	4	4	4	4	4	4	4	4	50	53	55
Licences and permits	183	183	183	183	183	183	183	183	183	183	183	183	2,197	2,298	2,404
Agency services													-		
Transfers and Subsidies - Operational	24,607	4,549				18,635			17,945				65,736	67,613	71,701
Other revenue	191	191	191	191	191	191	191	191	191	191	191	191	2,293	2,399	2,509
Cash Receipts by Source	29,115	9,057	4,508	4,508	4,508	23,143	4,508	4,508	22,453	4,508	4,508	4,520	119,837	123,957	130,636
Other Cash Flows by Source															
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	19,200					3,000			3,618				25,818	26,614	24,926
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)													-		
Proceeds on Disposal of Fixed and Intangible Assets													-		
Short term loans													-		
Borrowing long term/refinancing													-		
Increase (decrease) in consumer deposits													-		
Decrease (increase) in non-current receivables													-		
Decrease (increase) in non-current investments													-		
Total Cash Receipts by Source	48,315	9,057	4,508	4,508	4,508	26,143	4,508	4,508	26,071	4,508	4,508	4,520	145,655	150,571	155,562
Cash Payments by Type															
Employee related costs	5,006	5,006	5,006	5,006	5,006	5,006	5,006	5,006	5,006	5,006	5,006	5,006	60,070	63,434	66,987
Remuneration of councillors	557	557	557	557	557	557	557	557	557	557	557	557	6,684	7,058	7,453
Finance charges	667	667	667	667	667	667	667	667	667	667	667	667	8,000	8,368	8,753
Bulk purchases - Electricity	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	27,000	28,242	29,541
Bulk purchases - Water & Sewer															
Other materials	131	131	131	131	131	131	131	131	131	131	131	131	1,572	1,645	1,720
Contracted services	748	748	748	748	748	748	748	748	748	748	748	748	8,975	9,387	9,819
Transfers and grants - other municipalities															
Transfers and grants - other															
Other expenditure	440	440	440	440	440	440	440	440	440	440	440	440	5,281	4,774	4,938
Cash Payments by Type	9,798	9,798	9,798	9,798	9,798	9,798	9,798	9,798	9,798	9,798	9,798	9,798	117,581	122,908	129,211
Other Cash Flows/Payments by Type															
Capital assets	19,200					3,000			3,618				25,818	26,614	24,926
Repayment of borrowing													-		
Other Cash Flows/Payments													-		
Total Cash Payments by Type	28,998	9,798	9,798	9,798	9,798	12,798	9,798	9,798	13,416	9,798	9,798	9,798	143,399	149,522	154,137
NET INCREASE/(DECREASE) IN CASH HELD	19,317	(741)	(5,290)	(5,290)	(5,290)	13,345	(5,290)	(5,290)	12,655	(5,290)	(5,290)	(5,279)	2,255	1,048	1,424
Cash/cash equivalents at the monthly year begin:	19,317	18,576	13,286	7,996	2,706	16,051	10,761	5,471	18,125	12,835	7,545	2,266	-	2,255	3,304
Cash/cash equivalents at the monthly year end:	19,317	18,576	13,286	7,996	2,706	16,051	10,761	5,471	18,125	12,835	7,545	2,266	2,255	3,304	4,728

2.11 Annual budgets and service delivery agreements – municipal entities and other external mechanisms

None

2.12 Capital expenditure details

Ref – A5 Capex

2.13 Other supporting documentation

None

2.14 Annual budgets of municipal entities attached to the municipalities annual budget

None

2.15 Legislative compliance

1. MFMA
2. MBRR
3. DORA
4. MPRA
5. MFMA Circulars

Quality certificate

I....., municipal manager of(name of municipality), hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name

Municipal manager of (Name and demarcation code of municipality)

Signature

Date